



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: January 24, 2017 REPORT NO: 17-007
ATTENTION: Budget and Government Efficiency Committee
SUBJECT: Purchasing & Contracting Department's Update on Streamlining Measures for Fiscal Year 2016

REQUESTED ACTION:

Informational item only.

STAFF RECOMMENDATION:

Accept the update report for Fiscal Year 2016 from Purchasing & Contracting.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

On November 19, 2015, Purchasing & Contracting (P&C) provided an update report to the Budget and Government Efficiency Committee. The report highlighted various department metrics and provided an overview of how changes to the San Diego Municipal Code (SDMC) affected P&C's overall operations and efficiency. Key SDMC revisions summarized in the report included:

- An increased dollar threshold for informal procurements to \$25,000 (SDMC §22.3203);
- Delegated authority to the Purchasing Agent to enter into contracts of \$3 million or less without City Council approval (SDMC §22.3206);
- Acceptance of an electronic signature as part of the bidding process (SDMC §22.3020); and
- A pre-approval option for contracts in excess of \$3 million (SDMC §22.3206).

The changes were an effort to address opportunities for efficiencies outlined by the Huron Consulting Group (Huron) in a report presented to City Council on April 8, 2014. The Huron report examined workflow processes, including those in the Materials Management (MM) module in SAP. A recommended short term goal¹ was an analysis of the entire workflow from procurement through payment. In a joint effort with the Department of Information Technology (DoIT), this analysis was conducted in March 2015.

¹ *Procurement and Contracting Review City of San Diego*, Conducted and prepared by Snow Rutkowske, Huron Consulting Group, March 17, 2014. See recommendation TT.1: Improve Current SAP MM Functionality, p. 25.

Procure-to-Pay (P2P) Project

In July 2015, P&C began design work on an overhaul of its business processes to mitigate identified risks, gain efficiencies and increase transparency to the City's spend. The result of this ongoing work is a planned, multi-release project that will conclude in 2018.

The P2P project will bring best-in-class procurement practices to the City in addition to strengthening internal controls and satisfying long standing, documented audit findings. The project has two focused tracks: The first track will mitigate identified deficiencies in the existing SAP Materials Management module. The second track, running in parallel, will implement the ARIBA procurement solution to the City's existing SAP environment. City staff will transact in an online shopping environment from controlled contract catalogs. The City will be able to monitor spend and available budget more accurately with a real time budget check solution.

Other P&C Initiatives to Modernize and Expand Long-term Capabilities

In addition to overhauling the City's procure-to-pay business processes, P&C has taken a number of important steps to effectively meet the needs of client departments. In March 2016, the Civil Service Commission approved new classifications for P&C's procurement staff. Importantly, the new classifications expand on current responsibilities to include contract management and analytical duties. P&C completed most of the recruitment and placement of staff into the new roles.

Additionally, P&C recently realigned internal work units in a manner that will give the Department more flexibility in delivering client services. The practice of utilizing commodity-based portfolios have been largely cast aside by high-functioning procurement shops, and P&C has followed suit. As a result, P&C has taken an important step by structuring the Department so that procurement staff can work on any type of solicitation for any client department.

As part of this realignment effort, P&C identified a key opportunity to expand and enhance the City's contract oversight responsibilities. Specifically, P&C is in the process of establishing a Contract Compliance Unit. The unit will be responsible for developing and overseeing citywide training on contract administration, providing a mechanism and dedicated resources for addressing vendor performance issues, and implementing a risk-based approach to examining and addressing contract compliance issues.

Key Performance Indicators

P&C oversees the procurement of nearly \$1 billion in goods and services annually. P&C received over 240 requests annually to formulate agreements via a formal bid procurement process. Staff maintains more than 600 active agreements and processes more than 12,000 purchase orders in a fiscal year. As part of the tactical planning, P&C updated its performance indicators to provide information that reflects the meaning and impact of its work. The most current available data on key performance indicators are presented in the table below.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal # 1. Provide high quality public service

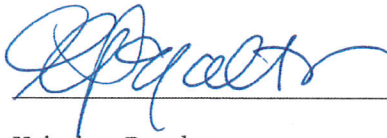
Objective #1. Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services

Objective #4. Ensure equipment and technology are in place so that employees can achieve high quality public service

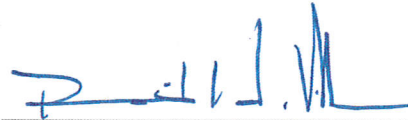
FISCAL CONSIDERATIONS: None with this item.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable): N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS: On April 14, 2014 City Council approved the Proposed Revisions to the SDMC regarding the Approval of Purchase Requisitions and Contract Award Thresholds. Also related to this item, City Council approved the Proposed Additions to the SDMC Regarding the Approval of Electronic Transactions and Signatures in the Processing of Contracts for Consultants, Goods, and Services & Public Works In November 2014.



Kristina Peralta
Purchasing & Contracting Director



Ronald H. Villa
Deputy Chief Operating Officer

Contracts Executed for Goods, \$3 million and under, June 2014- FY 2016, continued

Vendor Name	Contract Description	Start Date	End Date	Value
Hawthorne Machinery Co	Heavy Equipment Rentals for Closed and Inactive Landfills	7/21/2015	7/20/2020	\$1,161,115
Interpersonal Frequency LLC	Content Management System	8/28/2015	8/27/2018	\$1,146,000
Hewlett Packard Enterprise Company	Servers and storage	2/17/2016	3/31/2017	\$1,130,000
Hydro Scape Products Inc.	Lawn Sprinklers, Irrigation Valves, and Sprinkler Repair Parts	7/1/2015	6/30/2020	\$1,100,000
International Dioxide Inc.	Sodium Chlorite Solution	10/29/2015	10/28/2020	\$1,065,866
Aspect Software Inc.	Software Services	2/27/2015	6/22/2016	\$1,041,503

Note: Contract dates may not reflect all options to renew.

**Contracts Executed for Good and Services (combined under single contract), \$3 million and under,
June 2014 - FY 2016**

Vendor Name	Contract Description	Start Date	End Date	Value
AT&T	Wireless Communication Services	10/20/2014	10/31/2016	\$3,000,000
Bob Turners Crane Service Inc.	Five Ton Crane with Operator	2/10/2015	2/9/2020	\$3,000,000
Parkhouse Tire Inc.	Heavy Duty Tire Maintenance, Service, and Replacement	2/13/2015	11/27/2018	\$3,000,000
Premier Scaffold Inc.	Scaffolding Rental	9/16/2015	9/15/2020	\$3,000,000
Mallory Safety and Supply LLC	Maintenance Repair and Operations Supplies	7/1/2016	6/30/2021	\$3,000,000
Waxie Enterprises Inc.	Maintenance Repair and Operations Supplies	7/1/2016	6/30/2021	\$3,000,000
Xylem Dewatering Solutions Inc.	Trash Pump Rental	9/23/2015	9/22/2020	\$3,000,000
PCM Sales, Inc.	Computer Hardware and Software	7/24/2014	3/31/2016	\$2,995,000
PCM Sales, Inc.	Computer Hardware	4/1/2016	3/31/2017	\$2,700,000
Hertz Equipment Rental Corp	Construction Equipment Rental	5/29/2015	6/10/2016	\$1,647,291
San Diego County Sheriff Depart	CAL-ID System	2/9/2015	6/30/2019	\$1,600,000
Alcatel Lucent USA Inc.	Network Components	2/17/2015	2/18/2016	\$1,385,000
Herc Rentals, Inc.	Heavy Duty Equipment Rental	5/6/2016	3/31/2019	\$1,352,708
Verdugo Testing Co Inc.	Underground Tank Monitoring	8/21/2014	11/18/2019	\$1,250,000
Streamline Automation Systems LLC	Fire Inspection Software Solution	5/19/2016	5/18/2021	\$1,114,000
Imperial Sprinkler Supply Inc.	Lawn Sprinklers, Irrigation Valves, and Sprinkler Repair Parts	7/1/2015	6/30/2020	\$1,008,250
Motorola Solutions Inc.	Radio System Maintenance and Support Services	1/22/2016	6/30/2017	\$1,000,000
United Site Services of CA Inc.	Rental of Portable Toilets	5/4/2016	8/31/2018	\$1,000,000

Note: Contract dates may not reflect all options to renew.